

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**Gregory Scott
Edward A. Garvey
Joel Jacobs
Marshall Johnson
LeRoy Koppendrayer**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

**In the Matter of a Petition by Peoples
Natural Gas Company and Northern
Minnesota Utilities, Divisions of UtiliCorp
United, Inc., for Authority to Increase
Natural Gas Rates in Minnesota and to
Consolidate the Two Utilities**

ISSUE DATE: September 29, 2000

DOCKET NO. G-007,011/GR-00-951

NOTICE AND ORDER FOR HEARING

PROCEDURAL HISTORY

On May 12, 2000, Peoples Natural Gas Company (Peoples) and Northern Minnesota Utilities (NMU) (collectively, the Companies), both operating divisions of UtiliCorp United Inc., filed a combined rate case and a request to consolidate the operations and certain aspects of the rate schedules of the two utilities.¹

On July 18, 2000, the Commission issued its ORDER ACCEPTING RATE CASE FILING AS OF FUTURE COMPLETION DATE² which identified various deficiencies in the Companies' May 12, 2000 filing and allowed the Companies to refile their case whenever the filing could be made substantially complete.

On August 11, 2000, the Companies refiled their general rate case. The Companies requested a rate increase of \$9,846,647 per year or 6.24% over existing rates for the two companies combined. The proposed increase for Peoples is \$8,461,405 or approximately 7.20%. The proposed increase for NMU is \$1,385,242 or approximately 3.45%. The Companies proposed a forecasted test year ending December 31, 2000.

¹ In the Matter of a Petition By Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities, Docket No. G-007,001/GR-00-517.

² Ibid.

In a notice issued August 11, 2000, the Commission asked interested persons to file comments on whether the Commission should accept the filing as substantially in compliance with applicable filing requirements and whether the matter should be referred to the Office of Administrative Hearings (OAH) for a contested case hearing.

On August 21, 2000, the Department of Commerce (DOC) submitted comments recommending the Commission accept the Companies' filing as complete and recommended the Commission refer this matter to the OAH for a contested case proceeding.

On August 23 and 28, 2000, the Companies submitted exhibits to pre-filed direct testimony of Robert D. Adkins, Michael McLaughlin, Nicholas Schwartz, and Mark Straub which had been inadvertently omitted from the August 11, 2000 filing. On August 28, 2000 the Companies also submitted Section E, Schedule 1, p.1 of pp.1-2 of the Information Requirements.

On August 24, 2000, the Companies submitted reply comments agreeing with the DOC's recommendation that the filing be determined substantially complete and that the case be referred to the OAH for a contested case hearing.

The matter came before the Commission on September 21, 2000.

FINDINGS AND CONCLUSIONS

I. Jurisdiction and Referral for Contested Case Proceedings

The Commission has jurisdiction over proposed rate changes under Minn. Stat. § 216B.16. If the Commission is unable to resolve all significant issues regarding the reasonableness of the proposed rates on the basis of the filing itself, the Commission is to refer the matter to the Office of Administrative Hearings for contested case proceedings. Minn. Stat. § 216B.16, subd. 2.

The Commission finds that it cannot satisfactorily resolve all questions regarding the reasonableness of the proposed rates on the basis of the Company's filing. The Commission will therefore refer the matter to the Office of Administrative Hearings for contested case proceedings.

II. Proposed Rates

The Companies propose rate increases by customer class as follows:

PEOPLES

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>% Increase</u>
Residential	\$ 69,469,387	\$ 75,111,394	8.12%
Commercial & Industrial (<150 Mcf/yr)	\$ 2,905,273	\$ 3,168,010	9.04%
Commercial & Industrial (>150 Mcf/yr)	\$ 29,158,059	\$ 30,885,713	5.93%
Rural	\$ 2,878, 780	\$ 3,061,737	6.36%
Small Volume Joint	\$ 413,586	\$ 432,365	4.54%
Small Volume Interruptible	\$ 5,595,355	\$ 5,892,609	5.31%
Large Volume Joint	\$ 00	\$ 00	0%
Large Volume Interruptible	\$ 1,455,647	\$ 1,468,872	0.91%
Super Large Volume-Mainline	\$ 48,675	\$ 48,675	(0.49%)
Transportation	\$ 4,896,319	\$ 5,181,084	5.82%
Transportation for Resale	\$ 16,330	\$ 19,292	18.14%
Other Revenue	\$ 715,000	\$ 743,635	4.00%
Total	\$ 117,552,650	\$ 126,013,387	7.20%

NMU

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>% Increases</u>
Residential	\$ 20,351,910	\$ 21,894,858	7.58%
Commercial and Industrial (<150 Mcf/yr)	\$ 1,081,392	\$ 1,204,641	11.40%
Commercial and Industrial (>150 Mcf/yr)	\$ 11,217,587	\$ 11,822,872	5.40%
Rural	\$ 22,987	\$ 25,436	10.65%
Large General Service	\$ 302,295	\$ 311,619	3.08%
Interruptible Service	\$ 4,420,803	\$ 4,677,285	5.80%
Transportation	\$ 2,461,568	\$ 1,302,077	(47.1%)
Other Revenue	\$ 300,000	\$ 304,842	1.61%
Total	\$ 40,158,543	\$ 41,543,630	3.45%

A copy of the Companies' rate increase proposal is on file in the offices of the Department of Commerce, 121 Seventh Place East, Suite 200, St. Paul, Minnesota 55101-2145, and is open for public inspection during regular office hours. Copies are also available for public inspection at the Companies' offices at 1815 Capitol Avenue, Omaha, Nebraska, 68102. Proposed rate schedules are also available at Peoples Natural Gas Company and Northern Minnesota Utilities business offices in Rosemount, Rochester, Fairmont, Bemidji, and Cloquet, Minnesota.

The Commission, by separate Order, has accepted the filing and suspended the Company's proposed rates. By further Order, the Commission will direct the Company to place an interim rate schedule into effect. Interim rates are subject to refund if the Commission ultimately orders a lower overall revenue increase than is recovered through interim rates. Minn. Stat. § 216B.16, subd. 3.

III. Issues to be Addressed

Parties shall address the following issues in the course of the contested case proceedings ordered herein:

- (1) Is the test year revenue increase sought by the Companies reasonable or will it result in unreasonable and excessive earnings by the Companies?
- (2) Is the rate design proposed by the Companies reasonable?
- (3) Are the Companies' proposed capital structure and return on equity reasonable?

The parties may also raise and address other issues relevant to the Companies' proposed rate increase.

IV. Additional Information to be Provided

In order to determine whether expansions to new areas or cities by the Companies were economically justified, the Commission will require the Companies to file the economic analysis and justification for expansion into all new cities and townships since the Companies' last filed rate cases.

V. Procedural Outline

A. Administrative Law Judge

The Administrative Law Judge assigned to this case is Allan W. Klein. His address and telephone number are as follows: Office of Administrative Hearings, Suite 1700, 100 Washington Square, Minneapolis, Minnesota 55401-2138; (612) 341-7609.

B. Hearing Procedure

Hearings in this matter will be conducted in accordance with the Administrative Procedure Act, Minn. Stat. §§ 14.57-14.62; the rules of the Office of Administrative Hearings, Minn. Rules, parts 1400.5100 to 1400.8400; and, to the extent that they are not superseded by those rules, the Commission's Rules of Practice and Procedure, Minn. Rules, parts 7829.0100 to 7829.3200. Copies of these rules and statutes may be purchased from the Print Communications Division of the Department of Administration, 117 University Avenue, St. Paul, Minnesota 55155; (612) 297-3000.

Under these rules parties may be represented by counsel, may appear on their own behalf, or may be represented by another person of their choice, unless otherwise prohibited as the unauthorized practice of law. They have the right to present evidence, conduct cross-examination, and make written and oral argument. Under Minn. Rules, part 1400.7000, they may obtain subpoenas to compel the attendance of witnesses and the production of documents.

Any party intending to appear at the hearing must file a notice of appearance (Attachment A) with the Administrative Law Judge within 20 days of the date of this Notice and Order for Hearing. Failure to appear at the hearing may result in facts and issues being resolved against the party who fails to appear.

Parties should bring to the hearing all documents, records, and witnesses necessary to support their positions. They should take note that any material introduced into evidence may become public data unless a party objects and requests relief under Minn. Stat. § 14.60, subd. 2.

Any questions regarding discovery under Minn. Rules, parts 1400.6700 to 1400.6800 or informal disposition under Minn. Rules, part 1400.5900 should be directed to Narda Jones, Assistant Attorney General, 1100 NCL Tower, 445 Minnesota Street, St. Paul, Minnesota 55101, (651) 282-5720.

The times, dates, and places of public and evidentiary hearings in this matter will be set by order of the Administrative Law Judge after consultation with the Commission and intervening parties.

C. Intervention

Persons wishing to become formal parties to this proceeding shall promptly file petitions to intervene with the Administrative Law Judge. They shall serve copies of such petitions on all current parties and on the Commission. Minn. Rules, part 1400.6200.

D. Prehearing Conference

A prehearing conference will be held in this matter on Wednesday, October 11, 2000 at 9:00 a.m. in the Large Hearing Room, Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101. Persons participating in the prehearing conference should be prepared to discuss time frames, scheduling, discovery procedures, and similar issues. Potential parties are invited to attend the pre-hearing conference and to file their petitions to intervene as soon as possible.

E. Time Constraints

The Commission is required to act on the Companies' filing within ten months, or the proposed rates are deemed approved. Minn. Stat. § 216B.16, subd. 2. This ten-month period can be extended for brief periods to permit the negotiation and consideration of settlements. Minn. Stat. § 216B.16, subds. 1a and 2.

The Commission asks the Office of Administrative Hearings to conduct contested case proceedings in light of these time constraints and requests that the Administrative Law Judge submit his final report by April 11, 2001 to allow the Commission adequate opportunity for thorough consideration of the case.

VI. Application of Ethics in Government Act

The lobbying provisions of the Ethics in Government Act, Minn. Stat. §§ 10A.01 et seq., apply to general rate cases. Persons appearing in this proceeding may be subject to registration, reporting, and other requirements set forth in that Act. All persons appearing in this case are urged to refer to the Act and to contact the Campaign Finance and Public Disclosure Board, telephone number (651) 296-5148, with any questions.

VII. Ex Parte Communications

Restrictions on ex parte communications with Commissioners and reporting requirements regarding such communications with Commission staff apply to this proceeding from the date of this Order. Those restrictions and reporting requirements are set forth at Minn. Rules, parts 7845.7300-7845.7400, which all parties are urged to consult.

ORDER

1. A contested case proceeding shall be held on the Company's proposed rate increase. The proceeding shall begin with a Prehearing Conference on Wednesday, October 11, 2000, at 9:00 a.m.
2. The Companies shall file the economic analysis and justification for expansion into all

new cities and townships in a format similar to that required for NMU's New Town Rate analysis within 30 days from the date of this Commission Meeting, September 21, 2000. The filing shall include an explanation of any assumptions, forecasts, or other basis supporting the spreadsheet analysis.

- 3. Authority is delegated to the Commission's Executive Secretary to approve customer notices and bill inserts for the duration of this proceeding.**
- 4. This Order shall become effective immediately.**

BY ORDER OF THE COMMISSION

**Burl W. Haar
Executive Secretary**

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay

service).

ATTACHMENT A

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
100 Washington Square, Suite 1700
Minneapolis, Minnesota 55401-2138

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East Suite 350
St. Paul, Minnesota 55101-2147

In the Matter of a Petition by Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities MPUC Docket No. G-007,011/GR-00-951
OAH Docket No.
NOTICE OF APPEARANCE

Name, Address and Telephone Number of Administrative Law Judge:

Allan W. Klein, Office of Administrative Hearings, Suite, 1700, 100 Washington Square,
Minneapolis, Minnesota 55401; (612) 341-7609

TO THE ADMINISTRATIVE LAW JUDGE:

You are advised that the party named below will appear at the above hearing.

NAME OF PARTY:

ADDRESS:

TELEPHONE NUMBER:

PARTY'S ATTORNEY OR OTHER REPRESENTATIVE:

OFFICE ADDRESS:

TELEPHONE NUMBER:

SIGNATURE OF PARTY OR ATTORNEY: _____

DATE: _____